

specifically forbids the accrual of “general” reserves. *Id.* ¶ 14. Indeed, under GAAP, any reserves that do not meet the accrual requirements of SFAS No. 5, when identified, should be immediately released into income.

123. A systematic or timed release of excess reserves into income violates GAAP. In this regard, accounting estimates, including estimates for loss contingencies, may change as new events occur, as more experience is acquired, or as additional information is obtained. A change in an accounting estimate should be accounted for in (a) the period of change if the change affects that period only, or (b) the period of change and future periods if the change affects both. SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3 ¶ 19 (May 2005); APB Opinion No. 20, Accounting Changes ¶ 31 (July 1971). If the effect on income is material, disclosure is recommended for changes in estimates made each period in the ordinary course of accounting. SFAS No. 154 ¶ 22; APB No. 20 ¶ 33. Materiality should be considered in relation to both the effects of each change separately and the combined effect of all changes. A change in estimate made in an interim accounting period should be accounted for in the interim period in which the estimate is changed. The effect on earnings should be reported in the current period and in subsequent interim periods, if the effect of the change is material in relation to any period presented. Accounting Board Principles Board Opinions (“APB”) No. 28, Interim Financial Reporting (May 1973).

124. GAAP also requires that the financial effects of transactions, events and circumstances be accounted for in the period in which they occur. Concepts Statement No. 6 Elements of Financial Statements ¶¶ 139-40, 144-46. In addition, Concepts Statement No. 5 states that, “[a]n expense or loss is recognized if it becomes evident that previously recognized future economic benefits of an asset have been reduced or eliminated. . . .” Here, the Dell